AnnualReport

LOCAL
GOVERNMENT
SUPER

Contents

Note from the Chair

Your super is evolving

Over the last couple of years, our super system has undergone some substantial changes. There has been a significant amount of new legislation and this is changing the way all super funds operate in Australia.

While some of these changes have had a direct impact on our members, other changes have been more behind the scenes; aimed at making our super system work better and more efficiently.

At the same time, Local Government Super has also been evolving; improving our products and our service, and reviewing our administration so we can provide our members with the best possible value for money.

And all the hard work is paying off with CANSTAR giving both our Accumulation Scheme and our Account-Based Pension Plan their five-star rating for outstanding value.

Looking at our results, the 2012/13 financial year was a very good year for all our blended investment options, with our High Growth and Balanced Growth investment options in particular benefiting from the higher exposure to Australian and international share markets.

So despite lingering global uncertainty, our strong performance combined with low inflation have helped our members in these options to earn some healthy net returns for the financial year.

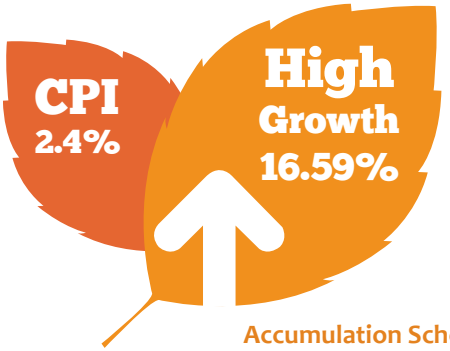
Over the past eighteen months we've also farewelled some of our long-serving directors but we have also welcomed five new directors who have brought a wealth of expertise and experience to the Board.

I'm confident that this year's annual report will give you an insight into what's been happening at Local Government Super and how we're working to help our members continue to earn long-term sustainable returns on their super.

Of course, if you do have any questions or suggestions, please feel free to call us on **1300 LGSUPER (1300 547 873)** from 8.30am to 5.00pm, Monday to Friday.

Regards

Bruce Miller
Chair



Accumulation Scheme
Financial year ending
30 June 2013

CEO's highlights

Adapting to our new environment

Over the last few years, super has been undergoing a great deal of change. The merging of many super funds has intensified competition in the industry while more recently, we've been absorbing some significant legislative changes.

It's been a great opportunity for us to evolve, to adapt and change the way we do business in this new environment.

There's always more work to be done of course, but I'm proud of what we've achieved so far and of the recognition we've already received for our efforts.

Introduction of Stronger Super

As part of the Stronger Super reforms, the Federal Parliament passed legislation to introduce a simple, low cost default superannuation product called *MySuper*.

Earlier this year we introduced our *MySuper* product which allows our members to invest their super in an aged-based investment strategy. This means that as a member ages, their super is invested in an investment option suitable to their age.

MySuper age groups and LGS investment options

18–44 years	High Growth
45–49 years	Balanced Growth
50–54 years	Balanced
>55 years	Conservative

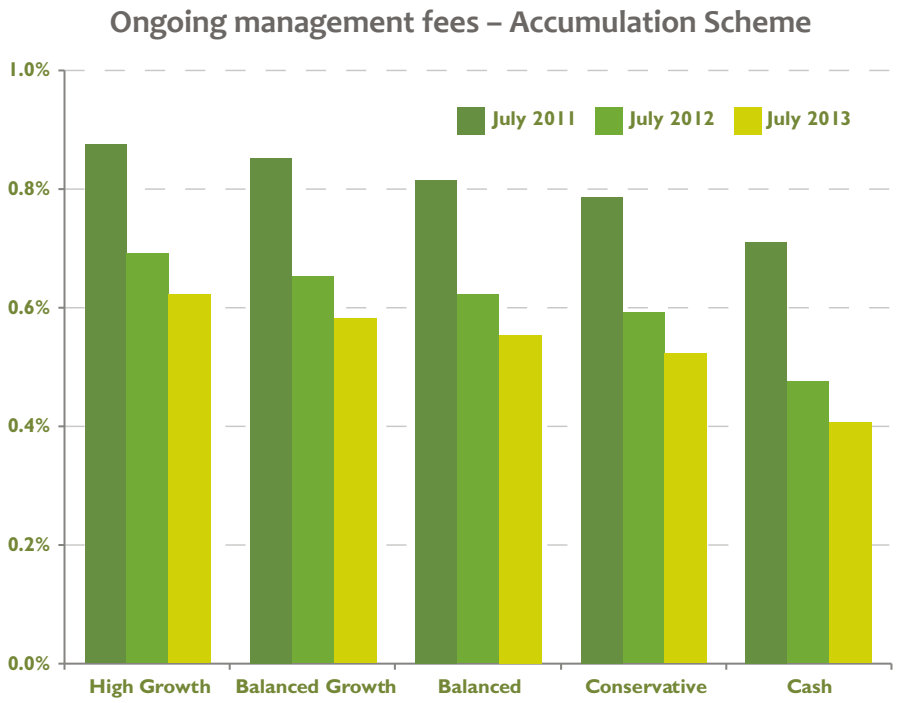
Stronger Super has also had an impact on our fees and charges. Under new legislation we can no longer cross-subsidise our costs across our entire member base.

Put simply, it means that all of our members will pay the actual costs for the transactions they undertake and the services they receive, and this includes certain financial planning advice.

In response to these changes we closed our Executive Scheme earlier this year and we are in the process of closing our Rollover Plan. Under the new regime the cost burden on members in these schemes would have been unsustainable.

These members now have access to a wider range of investment options and pay much lower membership costs.

In fact, we believe Stronger Super will ultimately mean lower ongoing management fees and more cost-effective super for the vast majority of our members.



Continually improving our service

The way we serve our members is always evolving. We are continually improving our service by utilising technology and sharpening our skills.

This year we brought our Contact Centre in-house so we could have more direct control over the way we handle enquiries and personally communicate with our members.

Outstanding value for our members

The changes we made to our fees and charges presented us with a great opportunity to demonstrate the real value we offer our members.

Our focus has always been to offer our members long-term sustainable returns and genuine value for money when it comes to membership costs.

As a result, we have been recognised by independent, specialist researcher, CANSTAR with their five-star rating for outstanding value being awarded to both our Accumulation Scheme and our Account-Based Pension Plan.

CANSTAR highlighted our range of investment options, insurance, financial planning and our online tools and calculators as the main reasons for our five-star ratings.

Average monthly number of calls, e-mails and letters handled by our Contact Centre May–October 2013

Account Based Pensions

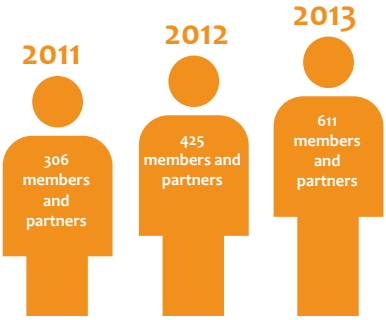
Superannuation

We also believe in taking every opportunity to speak with our members face-to-face.

Last financial year, a record number of employees attended our group sessions and our presentations at the local government induction seminars.

Our team of financial planners were also very busy right across the state providing pre-retirement and post-retirement advice to thousands of our members.

And this year we conducted a record eleven retired member forums which were attended by our retired members and their partners right across the state.



Improving our online service

Many members visit our website each day to manage their retirement savings, or to just find out more about their super investment.

We have been re-designing our website to make it more user-friendly, in particular to make it accessible via mobile phones and tablets.

We're also on Twitter so our members and the public can follow us by using **@socialLGS** to find out more about what's happening in superannuation, in sustainability and responsible investment, and the markets.

What's in the pipeline?

Evolution is an ongoing process, so we are always looking ahead at how we can improve our products.

For example, we are investigating investment platforms which will allow members to invest directly into specific investment assets.

For our retired members, we are looking into lifetime income streams which would provide guaranteed financial longevity in retirement.

Improving our service and our processes also remains a key objective for us.

We have recently re-appointed Link Super as our administrator and I believe this will lay a platform for some exciting innovations over the next few years and some opportunities to provide even more outstanding value for our members.

number of people who check performance figures each day | **658**

number of people who check their balances each day | **453**

Sustainability

Changing investment landscape

Investment markets never stand still; they are always changing, always evolving.

One big change has been the greater awareness of environmental, social and governance (ESG) risks which has emerged in recent years and we are proud to say that Local Government Super leads the industry in the management of these long-term risks.

In fact, as at 30 June 2013 we have over $4.2 billion invested in responsible investment strategies across Australian and international shares, property, and the absolute return and private equity investment asset classes.

To stay ahead of the industry we need to continually look for new and innovative ways to manage these long-term ESG risks and to earn long-term sustainable returns for our members.

And that's exactly what we've been doing over the past twelve months.

Sustainable Australian Shares

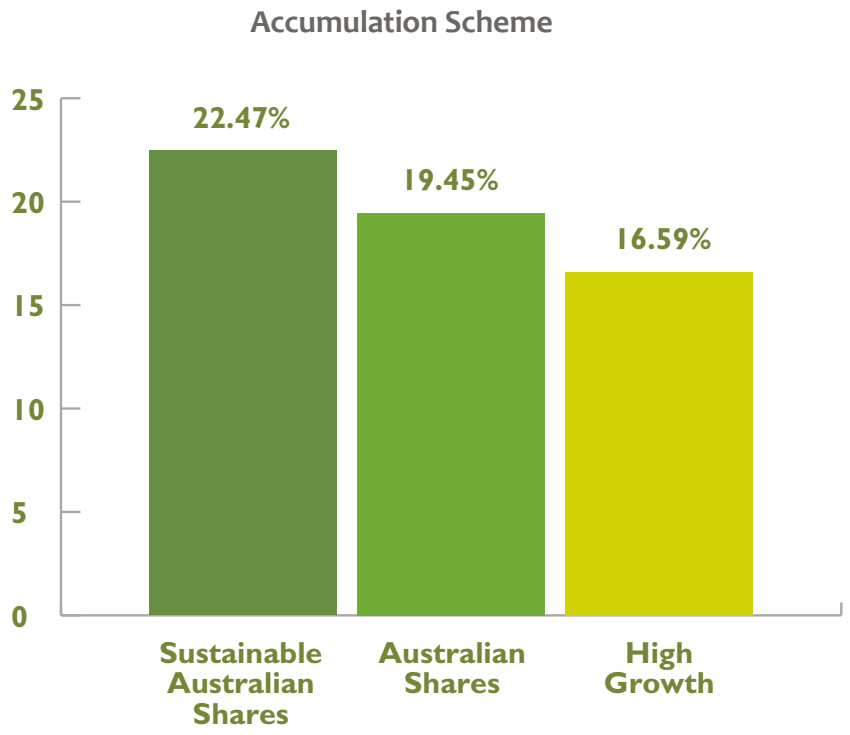
Across the entire fund, Local Government Super employs a socially responsible investment overlay for Australian and international shares. This means that the fund does not make any investments in companies which derive more than 10% of their revenues in the following areas of activity:

- Armaments
- Gambling
- Uranium mining/Nuclear
- Old growth logging
- Tobacco
- Questionable environmental, social or corporate governance practices.

Last year we launched our Sustainable Australian Shares investment option which goes one step further, excluding investment in any companies which derive any revenue at all from these types of unsustainable activities. We also introduced an exclusion on any Australian company involved in coal mining.

Our Sustainable Australian Shares option has performed well over this short timeframe. However, we expect this option to be more volatile than our other Australian Shares option as it excludes investments in some larger Australian companies such as BHP Billiton, Rio Tinto, Woolworths and Wesfarmers.

We now have the performance results for the first full financial year:



Note: Net investment returns for the Accumulation Scheme after taxes and charges.

New international shares mandate

During the year we introduced a new mandate in our international share portfolio. This enhanced passive strategy aims to follow the returns of a major global share benchmark, the MSCI World Index, but allows a small level of target outperformance.

We worked with a UK fund manager Hermes who are renowned for their work on research and corporate engagement on environmental, social and governance (ESG) issues.

Together we designed an innovative mandate where ESG issues are specifically integrated into the investment process to ensure that we are avoiding companies with high ESG risks while gaining exposure to companies with higher or improving ESG performance.

In its first year this fund has performed well relative to its benchmark.

Only Australian super fund to invest in green bonds

Local Government Super searches not only in Australia but globally for innovative sustainable investment opportunities.

That's one of the reasons why we were the only super fund in Australia to invest in the Green Bonds issued by the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC).

These bonds have a triple A credit rating and invest in environmentally sustainable projects such as energy efficiency, clean energy, water management, waste management, sustainable living, environmental services and sustainable public transport.

Investing in these bonds reflects our view that we do not have to sacrifice returns to invest in sustainable projects. These types of sustainable investments are the key to earning returns for our members over time horizons of 40 years or more.

Proxy voting

Local Government Super undertakes proxy voting at the shareholder meetings of all ASX200 companies and 500 of the largest listed international companies.

We are a Foundation Member and client of the Australian Council of Superannuation Investors (ACSI), an external expert group who provide voting recommendations in respect to company resolutions. As a broad rule we vote in accordance with ACSI recommendations which set out to achieve best practice corporate governance.

However, from time to time we will consider voting against other ACSI recommendations when we believe there is a significant environmental, social or governance risk which has or could lead to a loss of shareholder value.

Remuneration

This year we noted a significant reduction in the number of votes against ASX companies remuneration reports mainly as a result of the 'two strikes legislation'.

Under this legislation if a company receives against votes of greater than 25% on its remuneration reports in two successive years it will face a new vote from shareholders to spill the entire Board.

The main aim is to ensure that executive remuneration is aligned to long-term needs of investors. To date, the legislation has been successful in increasing the amount of dialogue and engagement between boards and institutional investors on the issue of remuneration.

This year we voted against the remuneration reports of two of the major Australian banks–National Australia Bank and Westpac–as we had concerns over the amount and various components in their remuneration packages.

Governance

We also voted against the re-election of Rupert Murdoch and his two sons on the board of News Corporation as well as their remuneration report.

Together with other institutional investors we protested against the poor governance standards at this company characterised by the UK phone hacking scandal at News of the World.

We also continued to vote against resolutions at the Leighton Holdings annual general meeting due to issues with poor governance practices which are having an adverse impact on the company's profitability.

Leighton Holdings has subsequently been investigated on bribery allegations to secure major projects in Iraq.

Social responsibility

We supported a shareholder resolution to promote more responsible gambling practices at the hotels owned by Woolworths, the owner of the most poker machines in Australia.

Environmental responsibility

To voice our concerns over persistent leakages at various plants owned by Orica Ltd, notably the Kooragang Island ammonium nitrate plant near Newcastle, we voted against all resolutions at the meeting of the chemical and mining services company.

The Kooragang plant was forced to close temporarily due to these leaks which had a negative $60m profit impact on the company.

For more detailed information on our approach to sustainable and responsible investing, visit lgsuper.com.au

Proxy voting for the year ending 30 June 2013

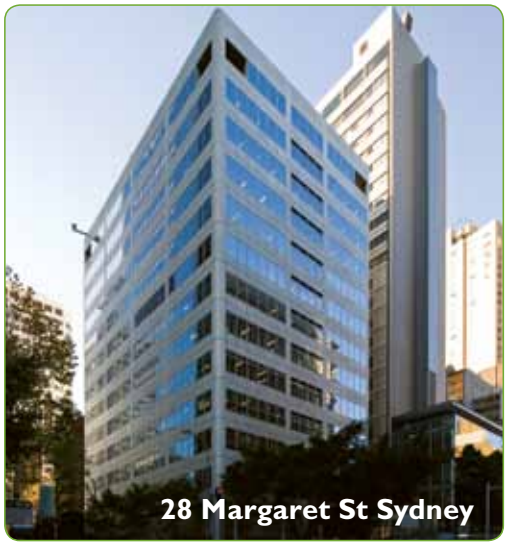
Meetings	Resolutions	For Votes		Against Votes		Abstain		Unvoted	
No.	No.	No.	%	No.	%	No.	%	No.	%
218	1267	1069	84%	187	15%	11	1%	0	0%

Property

Local Government Super invests $486 million into a property portfolio under the name, Local Government Property Fund. The Fund is an unlisted property trust which is managed and controlled by Local Government Super.

Established in 2003, the Fund comprises ten property assets throughout New South Wales including five office buildings, four retail centres and one industrial estate.

In February 2013, the Fund sold the property, SKM House, in St Leonards, Sydney to Altis Property Partners Group for $42 million.

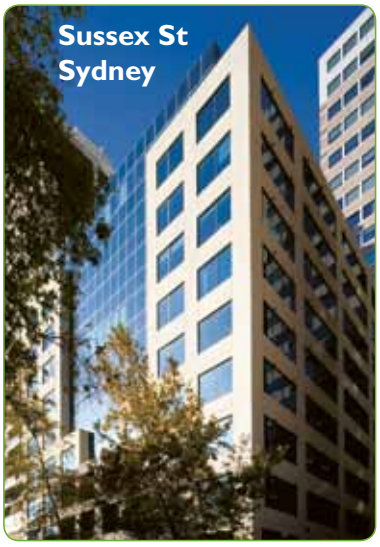

28 Margaret St Sydney

Re-development of Sturt Mall

Masterplanning for the eventual expansion of Sturt Mall started earlier this year.

The main aim of the re-development is to maintain the financial performance of this retail property asset and to provide our members with sustainable returns over the long term.

The development application was lodged with Council for consideration and review on 6 September 2013.


Sussex St
Sydney


Berry St
North Sydney


Miller St North Sydney

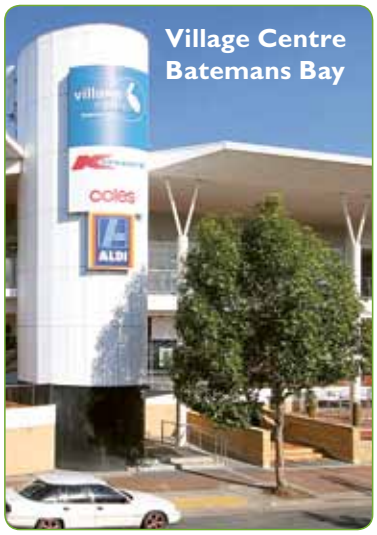

Lyon Park Rd North Ryde

office

Sturt Mall
Wagga Wagga


MarketPlace Leichhardt

Bridge Plaza
Batemans Bay



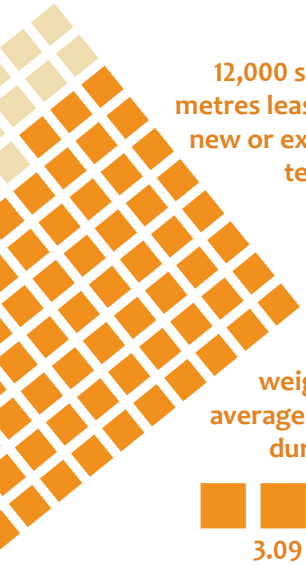
Village Centre
Batemans Bay

retail


Allambie Grove
Frenchs Forest

industrial

Direct property investment performance

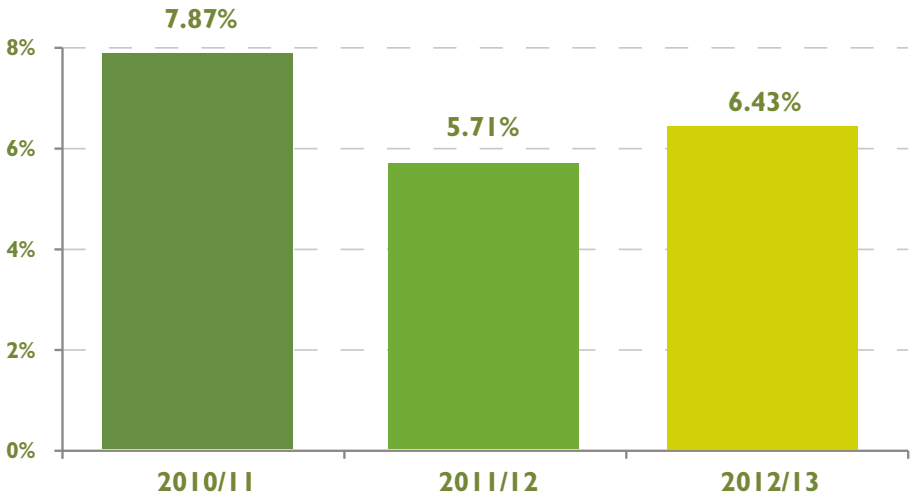


12,000 square metres leased to new or existing tenants

weighted average lease duration

3.09 years

Investment returns
Local Government Property Fund



Economic growth, particularly in the non-mining sectors of the economy, remained subdued in 2012/13 and as a result the real estate sector experienced the toughest commercial leasing conditions since 2008.

However, prime grade property yields firmed throughout the financial year as the demand to purchase quality property assets continued to outstrip supply.

The Local Government Property Fund achieved an investment return of 6.43% for the 2012/13 financial year, up from 5.71% in 2011/12.

Recent valuations of our property assets resulted in a net gain in the portfolio of $1 million compared to the 2012 valuations.

While this net gain is less than previous years, the performance was assisted by an increase in net income and high occupancy levels. These factors contributed to higher investment returns for the financial year.

Active management of our properties and a focus on strengthening our relationships has helped us to retain a high percentage of our tenants.

89% portfolio occupancy level

Energy usage

Rates on cash investments have fallen steadily over the last couple of years and institutional investors searching higher yields have driven up the demand for prime grade property assets.

This demand has introduced an increased acceptance of risk by pushing up asset values and compressing the yields on these prime grade assets.

In contrast the yields on non-prime property assets have remained stable creating a historically high spread between the two asset grades. There is however some potential for these yields to compress over the coming year as buyers spill over into less prime grades.

Environmental performance

An ongoing programme of continuous improvement aims to minimise carbon emissions as well as waste, water and energy use across the entire property portfolio.

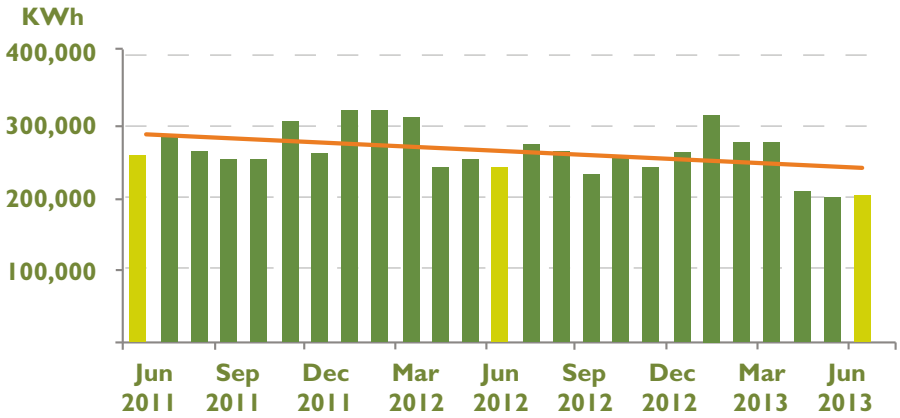
These measures not only have a direct benefit on our natural environment, they also reduce our operating costs and improve the portfolio's investment returns for our members.

A growing number of our commercial tenants are now demanding greener, more sustainable buildings and we have undertaken a number of projects to improve the sustainability of all our commercial buildings.

The average NABERS Energy rating for our commercial buildings is 4.7 stars without GreenPower and this average will increase as we continue to fill the vacancies in some of our properties.

We have also achieved annual improvement across all our key performance indicators for our retail properties with the average NABERS Energy rating currently at 4.3 stars without GreenPower.

Commercial portfolio energy use

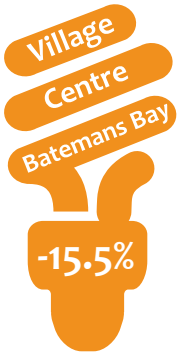


Source: Local Government Super

Electricity performance tracking for October 2013

($4,363 saving)

($5,112 saving)



($1,576 saving)

Buildings Alive

One of our new sustainability initiatives is our participation in Buildings Alive; an independent energy information service for building owners and operators.

Buildings Alive is a social learning framework which combines automated energy analytics, facilitated peer-to-peer learning environments, online resources, tailored analysis and benchmarking services.

This flow of real-time information allows building managers to better track energy and water usage against expectations and take more immediate steps to improve the environmental performance of a property.

Using the system at our retail properties has allowed the building managers to track the dollar value of reduced energy usage.

Green Star in the GRESB survey

Earlier this year, Local Government Super received a Green Star in the Global Real Estate Sustainability Benchmark (GRESB) survey.

We currently rank 36 out of 500 property funds in the global survey, confirming our reputation as one of the sustainability leaders in the real estate sector.

Green Globe Awards

The NSW Government's Green Globe Awards are the leading environment awards, recognising environmental excellence, leadership and innovation in NSW.

This year, Local Government Super received a highly commended award to LGS's MarketPlace Leichhardt for their sustainability program.

MarketPlace's programme includes an annual environmental expo as well as major improvements in energy efficiency and waste management. The expo is a great example for other retail centres on how to engage the public on local sustainability issues.

MarketPlace was further recognised for this initiative by also being named a finalist in the Shopping Centre Council of Australia Marketing Awards.

Review of the markets

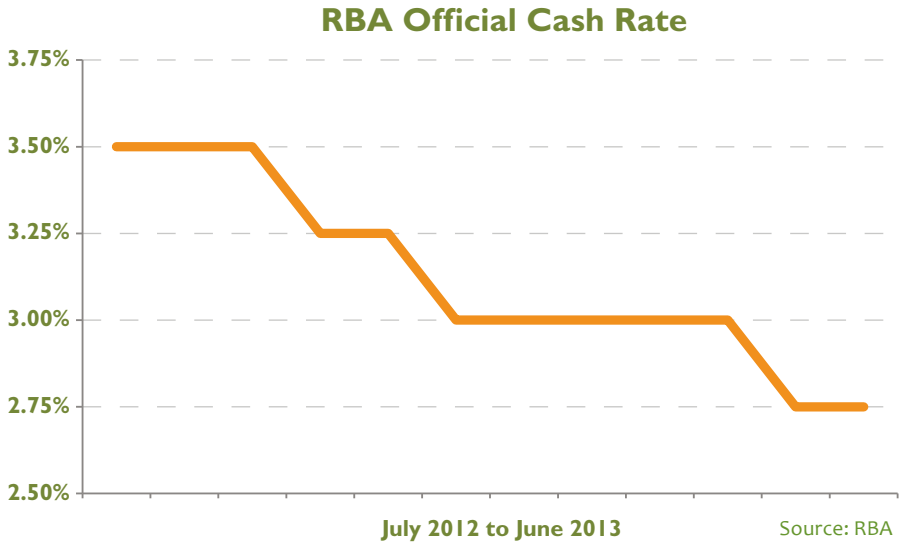
Strong financial year for Australian shares

Australian shares performed very strongly over the 2012/13 financial year. The ASX 200 faded only in the last three months to finish just over 22% up on the previous year.

Source: yahoo finance

Much of this rise was driven by investors, including many super funds, chasing investment income from dividends in the current low interest rate environment.

Interest rates have steadily fallen as the Reserve Bank of Australia (RBA) aggressively cut the official cash rate in an attempt to stimulate the local economy in the wake of the mining boom.



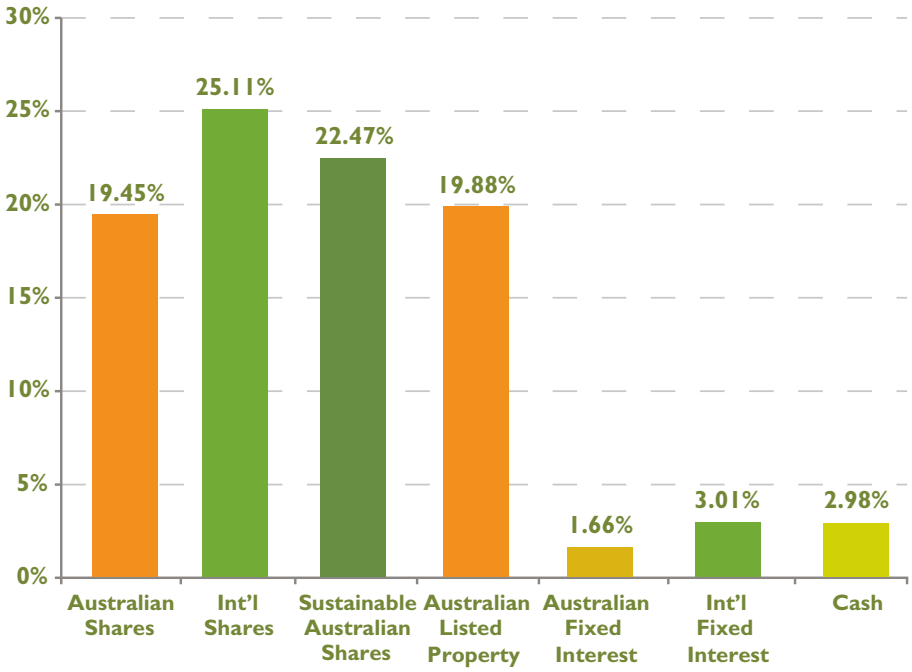
Source: RBA

Poor financial year for cash and fixed interest investments

The low interest rates were the main reason for the lower investment returns on cash and fixed interest investments over the 2012/13 financial year.

Many investors cashed out their term deposits to switch into shares or property.

Accumulation Scheme July 2012 to June 2013



International markets

The US Federal Reserve bond-buying programme fuelled the US share market and despite some speculation about the tapering of the programme, the S&P 500 finished the financial year in a strong position.

Source: yahoo finance

As in Australia, very low interest rates in the US and Europe dampened returns on international fixed interest investments.

So far this financial year

In Australia, the RBA has continued to keep interest rates low and this has continued to entice investors looking for better returns into the property and the share market.

Our big four banks have all announced record profits and paid very high dividends. This has further fuelled the Australian share market in recent months.

However looking ahead, the outlook for shares will depend largely on our rate of economic growth and whether the low interest rates will provide the boost we need to stimulate the non-mining sectors of the economy over the remainder of the financial year.

Internationally the US bond-buying programme has continued to support international markets but any move to start tapering this programme may have an impact on investor confidence.

How we invest your money

This section of the Annual Report provides information on each of our investment options as well as details of past performance, asset allocations and definitions.

The net earnings rate, which is the investment return on the assets after payment of transaction costs, taxes and other expenses, disclosed in the following tables may not be the same as the rate credited to a member's benefit due to the effect of cash flow timings.

The net earnings allocated to your account during this period are calculated daily, based upon the applicable unit prices of the underlying investment options you are invested in. These unit prices are derived from the market value of the investments in the underlying investment option after adjustments for taxes, fees and expenses.

You should note that any direct fees, contributions tax or expenses, such as insurance premiums, are deducted directly from your account and are not taken into account when deriving applicable unit prices.

Please note that the tables on the following pages show returns for past net earning rates and these figures are not an indicator of future net earning rates. Member benefits which are invested in any particular investment option are not guaranteed and the value of their investment may fall.

Top 10 Australian share holdings as at 30 June 2013

Rank	Australian shares top 10 holdings	% portfolio holding	% of index*
1	Commonwealth Bank of Australia	8.35%	8.48%
2	BHP Billiton	7.76%	7.66%
3	Westpac	7.32%	6.82%
4	Australia and New Zealand Bank	6.78%	5.87%
5	National Australia Bank	5.59%	5.29%
6	Telstra	5.36%	4.52%
7	Wesfarmers	2.94%	3.49%
8	Woolworths	2.85%	3.11%
9	CSL Limited	2.77%	2.31%
10	Woodside Petroleum Limited	2.27%	2.20%

Top 10 international share holdings as at 30 June 2013

Rank	International shares top 10 holdings	% portfolio holding	% of index*
1	Nestle	1.37%	0.79%
2	Walt Disney	1.12%	0.41%
3	United Parcel Services (UPS)	1.10%	0.24%
4	Oracle	1.01%	0.44%
5	Exxon Mobil	0.96%	1.52%
6	Apple	0.93%	1.40%
7	Visa	0.93%	0.37%
8	Accenture	0.92%	0.18%
9	Linde	0.89%	0.13%
10	Reckitt Benckiser	0.88%	0.17%

* This measure shows how much of that share is held by the overall market. For Australia the index used is the ASX 300. For international shares the index is called the MSCI which is made up of all the world indices, such as the Dow Jones, Nikkei, etc. So even though we may hold enough of a share for it to be in our top ten, we may still hold less than its share of the overall market.

Descriptions of each of our investment options

The following descriptions reflect the objectives and the asset allocations as at 30 June 2013. You should refer to the relevant Product Disclosure Statement (PDS) for the current details of our investment options.

High Growth

Definition – The High Growth option generally invests a very high proportion of its funds in growth assets, such as Australian and international shares, and property.

This option aims to earn high real investment growth above CPI over a 7-year period. As there is an emphasis on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this option. In other words, the value of the investment may fluctuate over the short term.

Objective – 4.5% net investment return per annum above CPI, measured over a rolling 7-year period.

Risk profile – Risk Band 5 – Medium to High. Estimate of 3.5 negative annual returns in any 20-year period.

Asset classes	Asset allocation ranges	Actual 2013[1]	Actual 2012[1]
Australian Shares	30%–40%	34.2%	34.6%
International Shares	27%–37%	33.4%	32.2%
Australian Direct Property[2]	0%–10%	5.5%	6.7%
International Listed Property	0%–6%	2.3%	2.4%
Commodities	0%–3%	0.8%	1.0%
Semi-Liquids[2]	0%–10%	4.6%	4.1%
Private Equity[2]	5%–15%	6.4%	10.7%
Absolute Return Funds	3%–13%	8.9%	6.5%
Australian Fixed Interest	0%–5%	0.0%	0.0%
Australian Inflation-Linked Bonds	0%–5%	0.0%	0.0%
International Fixed Interest	0%–5%	0.0%	0.0%
Cash	0%–10%	3.1%	1.8%
Defensive Illiquids[2]	0%–5%	0.8%	0.0%

1. As at 30 June.
2. Combined investments in these asset classes will not exceed 25% of the portfolio.

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation and Executive Schemes (Divisions A and E)	-21.5%	13.1%	9.1%	-3.4%	16.6%
Rollover Plan (Division F)	-20.4%	12.0%	9.7%	-3.0%	15.8%
Account-Based Pension Plan (Division F)	-23.8%	14.6%	10.6%	-3.6%	19.5%

Balanced Growth

Definition – The Balanced Growth option invests a relatively high proportion of funds in growth assets such as Australian and international shares, and property.

This option aims to earn real investment growth above the CPI over the medium to long term. For investors who want a high exposure to Australian and international shares and property and are prepared to accept more risk. The emphasis is on growth so investors should be prepared for some potential 'short-term volatility'. In other words the value of the investment may fluctuate over the short term.

Objective – 3.5% net investment return per annum above the CPI, measured over a rolling 5-year period.

Risk profile – Risk Band 4 - Medium. Estimate of 3 negative annual returns in any 20-year period.

Asset classes	Asset allocation ranges	Actual 2013[1]	Actual 2012[1]
Australian Shares	21%–31%	25.2%	26.3%
International Shares	20%–30%	26.2%	25.2%
Australian Direct Property[2]	0%–10%	5.6%	6.4%
International Listed Property	0%–6%	2.3%	2.6%
Commodities	0%–3%	0.8%	0.9%
Semi-Liquids[2]	0%–10%	4.3%	4.3%
Private Equity[2]	1%–11%	6.7%	6.0%
Absolute Return Funds	6%–16%	13.0%	11.4%
Australian Fixed Interest	0%–10%	3.6%	4.6%
Australian Inflation-Linked Bonds	0%–10%	2.8%	4.0%
International Fixed Interest	0%–10%	4.6%	5.3%
Cash	0%–10%	4.1%	3.0%
Defensive Illiquids[2]	0%–6%	1.0%	0.0%

1. As at 30 June.
2. Combined investments in these asset classes will not exceed 25% of the portfolio.

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation and Executive Schemes (Divisions A and E)	-17.8%	12.8%	8.5%	-0.9%	13.8%
Rollover Plan (Division F)	-18.0%	12.3%	8.5%	-0.6%	13.5%
Account-Based Pension Plan (Division F)	-19.5%	14.2%	9.9%	-0.4%	16.0%

Balanced

Definition – The Balanced option generally invests a proportion of its funds in growth assets such as Australian and international shares, property, semi-liquids and private equity, and the balance in income-producing assets, such as interest-bearing securities.

This option aims for real investment growth above CPI over a 3-year period. A higher percentage of assets produce income which makes this option less volatile than the High Growth and Balanced Growth options.

Objective – 2.5% net investment return per annum above the CPI, measured over a rolling 3-year period.

Risk profile – Risk Band 4 – Medium. Estimate of 2.3 negative annual returns in any 20-year period.

Asset classes	Asset allocation ranges	Actual 2013[1]	Actual 2012[1]
Australian Shares	11%–21%	15.4%	16.8%
International Shares	10%–20%	15.7%	15.2%
Australian Direct Property[2]	0%–10%	5.7%	6.3%
International Listed Property	0%–6%	2.3%	2.7%
Commodities	0%–3%	0.9%	0.9%
Semi-Liquids[2]	1%–11%	5.8%	5.1%
Private Equity[2]	0%–10%	5.3%	4.3%
Absolute Return Funds	7%–17%	14.1%	12.6%
Australian Fixed Interest	6%–16%	9.5%	10.9%
Australian Inflation-Linked Bonds	6%–16%	8.6%	10.1%
International Fixed Interest	6%–16%	10.4%	11.1%
Cash	0%–10%	4.7%	4.0%
Defensive Illiquids[2]	0%–8%	1.7%	0.0%

1. As at 30 June.
2. Combined investments in these asset classes will not exceed 25% of the portfolio.

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation and Executive Schemes (Divisions A and E)	-14.8%	12.2%	7.7%	2.4%	9.9%
Rollover Plan (Division F)	-15.0%	12.2%	7.8%	2.5%	9.8%
Account-Based Pension Plan (Division F)	-16.6%	13.7%	9.0%	3.2%	11.6%

Conservative

Definition – The Conservative option generally invests a small proportion in growth assets and the balance in income-producing assets such as interest-bearing securities.

This option aims to earn real investment growth above CPI over a 2-year period. Although this option is relatively less volatile than the High Growth, Balanced Growth and Balanced options, the returns and the value of the investment can still fluctuate.

Objective – 2% net investment return per annum above the CPI, measured over a rolling 2-year period.

Risk profile – Risk Band 3 – Low to Medium. Estimate of 1.6 negative annual returns in any 20-year period.

Asset classes	Asset allocation ranges	Actual 2013[1]	Actual 2012[1]
Australian Shares	1%–11%	6.5%	7.7%
International Shares	1%–11%	6.8%	7.1%
Australian Direct Property[2]	0%–8%	4.7%	5.1%
International Listed Property	0%–6%	2.3%	2.6%
Commodities	0%–3%	0.8%	0.8%
Semi-Liquids[2]	5% -15%	10.3%	6.9%
Private Equity[2]	0%–6%	0.6%	0.5%
Absolute Return Funds	11%–21%	18.7%	16.7%
Australian Fixed Interest	8%–18%	11.7%	12.7%
Australian Inflation-Linked Bonds	8%–18%	10.4%	12.1%
International Fixed Interest	8%–18%	12.1%	13.2%
Cash	5% -15%	13.4%	14.6%
Defensive Illiquids[2]	0% -10%	1.7%	0.0%

1. As at 30 June.
2. Combined investments in these asset classes will not exceed 25% of the portfolio.

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation and Executive Schemes (Divisions A and E)	-11.7%	11.7%	6.9%	4.7%	7.0%
Rollover Plan (Division F)	-12.1%	11.8%	7.0%	4.7%	7.0%
Account-Based Pension Plan (Division F)	-13.6%	13.2%	8.0%	5.8%	8.2%

Australian Shares

Definition – The Australian Shares option aims to provide for high investment growth above the CPI over the long term, however because the emphasis is on growth, it is likely that this option will from time to time produce a negative return.

The performance of Australian Shares is measured against the S&P/ASX 200 Accumulation Index benchmark.

Objective – 4.5% net investment return per annum above the CPI, measured over a rolling 7-year period.

Risk profile – Risk Band 6 – High. Estimate of 4.9 negative annual returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
Australian Shares	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation Scheme (Division A)	N/A	N/A	N/A	-4.3%	19.5%
Account-Based Pension Plan (Division F)	N/A	N/A	N/A	-3.8%	25.5%

Sustainable Australian Shares

Definition – The Sustainable Australian Shares option aims to provide for high long-term investment growth above the CPI by investing in Australian Shares according to the Sustainability Criteria. However because the emphasis is on growth, it is likely that this option will from time to time produce a negative return.

The performance of Sustainable Australian Shares is measured against the S&P/ASX 200 Accumulation Index benchmark.

Objective – 4.5% net investment return per annum above the CPI, measured over a rolling 7-year period.

Risk profile – Risk Band 6 – High. Estimate of 5 negative annual returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
Sustainable Australian Shares	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation Scheme (Division A)	N/A	N/A	N/A	1.1%	22.5%
Account-Based Pension Plan (Division F)	N/A	N/A	N/A	N/F[1]	N/F[1]

1. No return recorded as the investment option did not have funds for the full 2012/13 financial year.

International Shares

Definition – The International Shares option aims to provide for high investment growth above the CPI over the long term, however because the emphasis is on growth, it is likely that this option will from time to time produce a negative return.

The performance of International Shares is measured against the MSCI World Index (ex Australia) benchmark.

Objective – 4.5% net investment return per annum above the CPI, measured over a rolling 7-year period.

Risk profile – Risk Band 6 – High. Estimate of 4.8 negative annual returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
International Shares	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation Scheme (Division A)	N/A	N/A	N/A	-1.4%	25.1%
Account-Based Pension Plan (Division F)	N/A	N/A	N/A	-5.1%	29.4%

Australian Listed Property

Definition – The Australian Listed Property option aims to provide for investment growth above the CPI over the medium term, however because the emphasis is on growth, it is likely that this option will from time to time produce a negative return.

The performance of Australian Listed Property is measured against the S&P/ASX 200 Property Accumulation Index benchmark.

Objective – 3.5% net investment return per annum above the CPI, measured over a rolling 5-year period.

Risk profile – Risk Band 6 – High. Estimate of 5.7 negative annual returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
Australian Listed Property	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation Scheme (Division A)	N/A	N/A	N/A	6.8%	19.9
Account-Based Pension Plan (Division F)	N/A	N/A	N/A	N/F[1]	N/F[1]

1. No return recorded as the investment option did not have funds for the full 2012/13 financial year.

Australian Fixed Interest

Definition – The Australian Fixed Interest option aims to provide for investment growth above the CPI, over the medium term, however there may be occasions over short time periods where returns may be low or negative due to interest rate rises.

The performance of Australian Fixed Interest is measured against the UBSA Government Index.

Objective – 2% net investment return per annum above the CPI, measured over a rolling 2-year period.

Risk profile – Risk Band 4 – Medium. Estimate of 2.6 negative annual returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
Australian Fixed Interest	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation Scheme (Division A)	N/A	N/A	N/A	4.0%	1.7%
Account-Based Pension Plan (Division F)	N/A	N/A	N/A	4.4%	2.9%

International Fixed Interest

Definition – The International Fixed Interest option aims to provide for high long term investment growth above the CPI, however because the emphasis is on growth, it is likely that this option will from time to time produce a negative return.

The performance of International Fixed Interest is measured against the Barclays Global Aggregate Index (hedged).

Objective – 2.5% net investment return per annum above the CPI, measured over a rolling 3-year period.

Risk profile – Risk Band 3 – Low to Medium. Estimate of 1.8 negative annual returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
International Fixed Interest	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation Scheme (Division A)	N/A	N/A	N/A	1.7%	3.0%
Account-Based Pension Plan (Division F)	N/A	N/A	N/A	N/F[1]	N/F[1]

1. No return recorded as the investment option did not have funds for the full 2012/13 financial year.

Fixed Term

For the financial year ended 30 June 2013, this option was only available to members of the Account-Based Pension and the Rollover Plan. However, the Fixed Term investment which commenced on 3 December 2012 was not available to members of the Rollover Plan.

Definition – The Fixed Term option aims to provide a predetermined fixed interest rate on investments held for an agreed term.

This option invests 100% in cash investments and has a short-term focus.

Objective – A fixed rate of return over the term of the investment.

Risk profile – Low. The chance of a negative return is remote and would only occur in exceptional circumstances such as if the term deposit provider became insolvent.

Asset allocation at 30 June 2013	Actual
Cash	100%

Investment returns for the Fixed Term option as at 30 June 2013

	Matured 30/11/12	Matured 2/10/13
Rollover Plan (Division F)	4.25%	3.70%
Account-Based Pension Plan (Division F)	5.00%	4.35%

Cash

Definition – The Cash option offers investments for short-term investors or those seeking less volatile returns. The option invests predominantly in short-term Australian money market assets.

In addition, a small proportion of the assets (up to 15%) are invested in global interest type assets having a longer maximum term. This gives this option greater exposure to higher returns than by just investing in short-term domestic assets with only a small increase in the overall volatility of the returns.

Objective – 0.25% net investment return per annum above the 'cash'[1] rate, measured over a rolling 2-year period.

Risk profile - Risk Band 1 – Very Low. Based on an estimate of there being no negative returns in any 20-year period.

Asset allocation at 30 June 2013	Actual
Cash	100%

Investment returns over 5 years for Pool A as at 30 June 2013

	2009	2010	2011	2012	2013
Accumulation and Executive Schemes (Divisions A and E)	4.7%	4.9%	4.9%	4.0%	3.0%
Rollover Plan (Division F)	4.4%	4.8%	4.9%	4.3%	3.0%
Account-Based Pension Plan (Division F)	5.0%	5.2%	5.7%	4.6%	3.5%

1. The benchmark for the cash rate is the UBS Bank Bill Index.

Growth–Retirement Scheme (Pool B)

Definition – The Growth option generally invests a very high proportion of its funds in growth assets, such as Australian and international shares and property. The balance is invested in income producing assets.

This combination aims to earn real investment growth above the CPI over a 5-year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this option.

In other words, the value of the investment may fluctuate over the short term. This volatility is not expected to be as great as it is in the High Growth option.

Objective – 3.5% net investment return per annum above the CPI, measured over a 5-year period.

Risk profile – There is potential for the value of the investment to decrease in the short term. The chance of a negative return in any year is one in four.

Asset classes	Asset allocation ranges	Actual 2013[1]	Actual 2012[1]
Australian Shares	21% - 31%	25.4%	25.5%
International Shares	20% - 30%	26.2%	24.8%
Australian Direct Property[2]	0% - 10%	6.1%	9.7%
International Listed Property	0% - 6%	2.0%	2.3%
Commodities	0% - 3%	0.8%	1.0%
Semi-Liquids[2]	0% - 10%	4.8%	3.4%
Private Equity[2]	1% - 11%	9.0%	7.8%
Absolute Return Funds	6% - 16%	11.8%	11.6%
Australian Fixed Interest	0% - 10%	3.7%	4.6%
Australian Inflation-Linked Bonds	0% - 10%	3.0%	4.1%
International Fixed Interest	0% - 10%	4.6%	5.0%
Cash	0% - 10%	1.3%	0.2%
Defensive Illiquids[2]	0% - 6%	1.3%	0.0%

1. As at 30 June.
2. Combined investments in these asset classes will not exceed 25% of the portfolio.

Investment returns over 5 years as at 30 June 2013

	2009	2010	2011	2012	2013
Retirement Scheme (Pool B) Contributory	-19.7%	10.4%	9.0%	-1.3%	13.7%
Retirement Scheme (Pool B) Deferred	-20.7%	10.2%	7.9%	-1.2%	13.4%
Basic Benefit – Other Contributions account	-20.0%	10.0%	10.8%	-3.5%	13.8%

Member investment choice

Retirement Scheme members only (Division B)

In addition to the Growth investment option, Retirement Scheme members have access to member investment choice. Members can choose one of the five investment options: High Growth, Balanced Growth, Balanced, Conservative or Cash.

Members can elect an investment option for the following benefit components:

For contributory members

- Your Contributor Financed Benefit, and
- Other Contributions account

For deferred members

- Your total account balance

These investment options were introduced in 2005 and the tables show investment returns for the last five financial years.

As at 30 June 2009

Investment options	Contributor Financed Benefit	Other Contributions Account	Deferred Members
High Growth	-21.5%	-21.4%	-22.1%
Balanced Growth	-17.0%	-17.1%	-17.8%
Balanced	-13.3%	-13.6%	-13.9%
Conservative	-9.7%	-9.8%	-10.4%
Cash	5.1%	4.8%	4.7%

As at 30 June 2010

Investment options	Contributor Financed Benefit	Other Contributions Account	Deferred Members
High Growth	13.6%	13.2%	13.2%
Balanced Growth	13.0%	13.2%	12.8%
Balanced	12.4%	12.6%	2.2%
Conservative	11.8%	12.5%	12.5%
Cash	5.0%	4.4%	4.8%

As at 30 June 2011

Investment options	Contributor Financed Benefit	Other Contributions Account	Deferred Members
High Growth	10.7%	11.4%	8.5%
Balanced Growth	10.4%	12.5%	9.0%
Balanced	9.0%	10.4%	7.8%
Conservative	8.2%	10.2%	6.6%
Cash	5.8%	7.9%	4.8%

As at 30 June 2012

Investment options	Contributor Financed Benefit	Other Contributions Account	Deferred Members
High Growth	-3.4%	-5.4%	-2.2%
Balanced Growth	-1.3%	-5.7%	-0.6%
Balanced	2.7%	0.6%	2.5%
Conservative	5.4%	6.5%	4.6%
Cash	4.4%	6.2%	3.7%

As at 30 June 2013

Investment options	Contributor Financed Benefit	Other Contributions Account	Deferred Members
High Growth	16.6%	18.3%	16.5%
Balanced Growth	13.9%	13.7%	14.0%
Balanced	10.4%	9.6%	10.0%
Conservative	7.4%	3.8%	7.0%
Cash	3.4%	0.4%	3.0%

Defined Benefit Strategy (Pool B)

Definition – The Defined Benefit Strategy generally invests a high proportion of its funds in growth assets, such as Australian and international shares and property. The balance is invested in income producing assets. This combination aims to earn an objective being a 7% nominal return per annum.

Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short-term.

Objective – 7% net investment return per annum over a rolling 8-year period.

Risk profile – As this is a defined benefit scheme any downside risk is effectively underwritten by the employers.

Asset classes	Asset allocation ranges	Actual 2013[1]	Actual 2012[1]
Australian Shares	20%–30%	24.0%	24.7%
International Shares	20%–30%	26.0%	25.4%
Australian Direct Property[2]	6%–16%	10.9%	13.3%
International Listed Property	0%–5%	1.4%	1.3%
Commodities	0%–5%	0.8%	0.9%
Semi-Liquids[2]	0%–5%	0.9%	1.9%
Private Equity[2]	1%–11%	9.0%	7.3%
Absolute Return Funds	9%–19%	15.6%	10.7%
Australian Fixed Interest	0%–7%	2.0%	2.5%
Australian Inflation-Linked Bonds	0%–7%	1.0%	2.2%
International Fixed Interest	0%–7%	2.7%	3.1%
Cash	3% -13%	5.4%	6.7%
Defensive Illiquids[2]	0%–5%	0.4%	0.0%

1. As at 30 June.
2. Combined investments in these asset classes will not exceed 25% of the portfolio.

Investment returns over 5 years as at 30 June 2013

	2009	2010	2011	2012	2013
Defined Benefit Strategy (Pool B) Contributory	-19.7%	10.8%	8.4%	-2.0%	14.2%

The team behind your super

About the Trustee

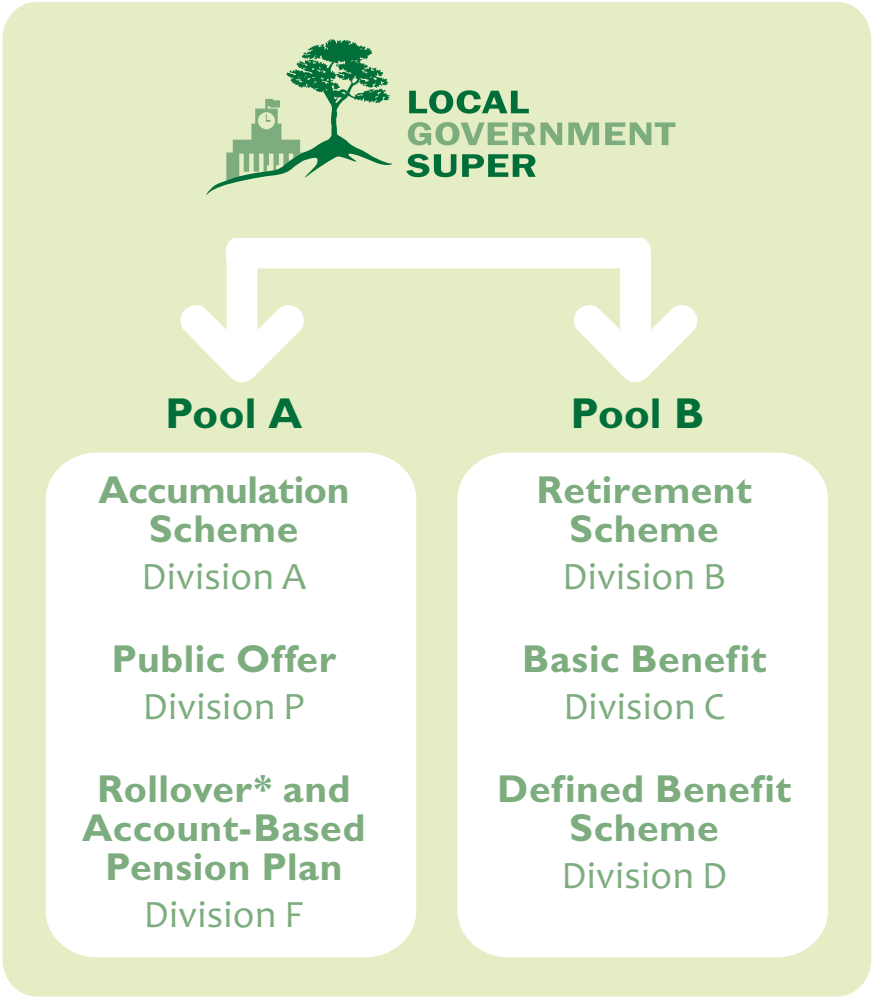
The Local Government Superannuation Scheme was established on 1 July 1997 specifically for employees of NSW Local Government entities.

Now referred to as Local Government Super, it is divided into two pools (Pool A and Pool B). LGSS Pty Limited (ABN 68 078 003 497) is the Trustee of Pool A (ABN 74 925 979 278) and Pool B (ABN 28 901 371 321). Both pools are complying superannuation funds and are subject to concessional taxation treatment.

The Trustee (the Board) is a non-profit company solely engaged in the management and control of Local Government Super's assets for the benefit of its members. This means that all profits go back to members.

Governance

The Board is responsible for managing Local Government Super which includes the safekeeping of assets and ensuring it operates in accordance with the Trust Deed, the Corporations Act 2001, the Superannuation Industry (Supervision) Act 1993 (SIS) and other relevant superannuation legislation (Superannuation Laws).



*The Rollover Plan is closed as at 27 November 2013

Role of the Board

The Board is responsible for setting the overall strategy and ensuring Local Government Super is operating in accordance with the Trust Deed and all applicable laws.

There are eight Directors on the Board of the Trustee Company. To comply with the equal representation requirements of SIS, four of the Directors are appointed by employer associations and four are appointed by the unions. We also have an aspirational goal for our Board to have a 40% representation of female directors.

The Board meets regularly and receives and reviews reports from management and its service providers. When necessary, the Board calls upon specialist advice from advisers such as solicitors, accountants and actuaries.

Board committees

The Board has in place an Investment Committee, an Audit, Compliance and Risk Management Committee, a Determinations Committee and a Remuneration Committee to allow it to oversee the operations in greater detail. All committees are reflective of the equal representation requirements of SIS.

The Investment Committee-currently made up of Martin O'Connell (Chair), Keith Rhoades, Bruce Miller and Joanna Davison-generally meets twice a quarter.

The main function of the Investment Committee is to monitor the performance of the investment managers, oversee the work of the internal investment team and the external asset consultant and to provide updates to the Board.

The role of the Audit, Compliance and Risk Management Committee-currently made up of Leo Kelly (Chair), Jim Montague, Craig Peate and Michelle Blicavs-is to monitor the Trustee's compliance with its various licences and the effectiveness of its risk management processes; and to ensure the appointed service providers meet the agreed standards.

The Audit, Compliance and Risk Management Committee meetings are also attended by Local Government Super's external auditor and internal auditor. The Committee generally meets quarterly.

The role of the Determinations Committee-made up of Michelle Blicavs (Chair), Jim Montague, Joanna Davison and Leo Kelly-is to consider disputed claims for invalidity and death benefits. The Committee meets as required.

The role of the Remuneration Committee-currently made up of Craig Peate (Chair), Keith Rhoades, Bruce Miller and Martin O'Connell-is to assist the Board to fulfil its responsibilities in relation to the Trustee's Remuneration Policy. The Committee's functions include reviewing the performance of the Chief Executive Officer and the Chief Investment Officer, the remuneration of senior management, and the budgeted increase for the remaining employees. The Committee meets as required.

Industry regulators

Local Government Super holds a Registrable Superannuation Entity (RSE) licence which is regulated by APRA. Pool A and Pool B are both Registered Superannuation Entities under the SIS legislation.

Local Government Super also holds an Australian Financial Services Licence (AFSL) to cover the services provided by its financial planners and customer relationship managers. This licence is regulated by ASIC.

Indemnity insurance

The Trustee is indemnified by a policy of insurance which helps protect Local Government Super in the event of a claim against its assets.

Your Board

John Beacroft

Appointed by the United Services Union

Former Local Government employee in finance departments of various city and regional councils for over 40 years

Appointed to the Board on 26 March 2008

Resigned from the Board on 8 October 2013

Michelle Blicavs

Appointed by Local Government NSW

Councillor – Wollongong City Council

Chief Executive Officer – International Association for Public Participation (IAP2) Australasia

Currently Chair of the Determinations Committee

Appointed to the Board on 3 April 2013 (replaced Beverley Giegerl as Local Government NSW's representative)

Sam Byrne

Appointed by the Local Government Association of NSW (now known as Local Government NSW)

Former Councillor – Marrickville Council

Former Executive Member – Local Government Association of NSW

Appointed to the Board on 26 September 2007

Resigned from the Board on 26 March 2013

Beverley Giegerl

Appointed by the Local Government Association of NSW (now known as Local Government NSW)

Former Councillor – Hurstville City Council

Former Treasurer– Local Government Association of NSW

Appointed to the Board on 1 September 2003

Resigned from the Board on 26 March 2013

Graeme Kelly

Appointed by the United Services Union

Has over 20 years' experience with the United Services Union and holds the position of General Secretary

Appointed to the Board on 31 March 2011

Resigned from the Board on 24 October 2012

Leo Kelly OAM (Deputy Chair)

Appointed by the Local Government Association of NSW (now known as Local Government NSW)

Councillor and former Mayor – Blacktown City Council

Former Vice President – Local Government Association of NSW, currently an Executive member of Local Government NSW

Chair of the Audit, Compliance and Risk Management Committee

Appointed to the Board on 8 September 1999

Bruce Miller (Chair)

Appointed by the Shires Association of NSW (now known as Local Government NSW)

Councillor and former Mayor – Cowra Shire Council

Vice President – Local Government NSW

Director – StateCover Mutual

Appointed to the Board on 1 July 2011

Martin O'Connell

Appointed by the Local Government Engineers' Association (LGEA)

Former Director of the LGEA (NSW Branch)

National Manager, Students and Young Professionals Program – Professionals Australia

Chair of the Investment Committee

Appointed to the Board on 18 October 1999

Craig Peate

Appointed by the United Services Union

Has over 30 years of experience at the Tweed Shire Council and is currently their Co-ordinator of Revenue & Recovery

Chair of the Remuneration Committee

Appointed to the Board on 25 October 2012 (replaced Graeme Kelly as the United Services Union's representative)

Keith Rhoades AFSM

Appointed by the Local Government Association of NSW (now known as Local Government NSW)

Councillor and former Mayor – Coffs Harbour City Council

President of Local Government NSW

Appointed to the Board effective 3 April 2013 (replaced Sam Byrne as Local Government NSW's representative)

Ian Robertson

Appointed by the Development and Environmental Professionals' Association (depa) Secretary – depa

Former Chair of the Investment Committee

Appointed to the Board on 26 March 1997

Resigned from the Board 23 October 2013.

New Directors

Joanna Davison

Appointed by the Development and Environmental Professionals' Association (depa)

Acting Chief Executive Officer of FEAL

Appointed to the Board effective 30 October 2013 (replaced Ian Robertson as depa's representative)

James (Jim) Montague PSM

Appointed by the United Services Union

General Manager – City of Canterbury Council

Appointed to the Board on 9 October 2013 (replaced John Beacroft as the United Services Union's representative)

2012/13 meeting attendance by Directors

The attendance by Directors at meetings of the Board and its Committees from 1 July 2012 to 30 June 2013 was as follows:

Board

Director	Meetings held during tenure	Number of meetings attended
Beacroft, John	10	10
Blicavs, Michelle	3	3
Davison, Joanna	-	-
Byrne, Sam	7	6
Giegerl, Beverley	7	6
Kelly, Graeme	3	2
Kelly, Leo	10	10
Miller, Bruce	10	9
Montague, James	-	-
O'Connell, Martin	10	10
Peate, Craig	7	7
Rhoades, Keith	3	3
Robertson, Ian	10	9

Audit, Compliance and Risk Management Committee

Director	Meetings held during tenure	Number of meetings attended
Beacroft, John	5	5
Blicavs, Michelle	1	1
Giegerl, Beverley	3	3
Kelly, Graeme	2	1
Kelly, Leo	5	5
Miller, Bruce	1	1
Peate, Craig	3	2

Investment Committee

Director	Meetings held during tenure	Number of meetings attended
Byrne, Sam	5	5
Giegerl, Beverley	1	-
Miller, Bruce	7	6
O'Connell, Martin	8	7
Rhoades, Keith	3	2
Robertson, Ian	8	7

Directors' Remuneration

Total annual fees paid ($000)	No. of Directors
0 – 20	3
20 – 40	3
40 – 60	4
60 – 80	1

The annual directors' fees are payable either to the individual Director or to their appointing shareholder.

Executives' Responsible Officers Remuneration

Total remuneration paid ($000)	No. of executives
200 – 300	1
300 – 400	1
400 – 500	1

Our service providers

The Trustee engages external experts such as investment advisers and investment managers, administrators, a custodian, accountants, solicitors and auditors to assist with its obligations.

The Trustee reviews its service providers regularly and may from time to time make changes.

Administrator

The administrator of Local Government Super is FuturePlus Financial Services Pty Limited, which is now owned by Link Market Services. The administrator attends to the day-to-day administration operations of Local Government Super under a written service agreement.

Actuary

Mercer Human Resource Consulting

Asset Consultant

JANA Investment Advisers replaced Mercer (Australia) Pty Limited as our asset consultant in December 2012.

External Auditor

Deloitte Touche Tohmatsu Limited

Internal Auditor

Price Waterhouse Coopers Australia

Custodian

JPMorgan Chase Bank

Group Life Insurer

TAL (formerly called Tower Australia)

Professional Indemnity Insurer

Zurich Financial Services Australia

Investment managers at 30 June 2013

AMP Capital Investors

AQR Capital Management

Attunga Capital Pty Ltd

BT Investment Management Ltd

Colonial First State Investments Limited

Five Oceans Asset Management

H3 Global Advisors Pty Ltd

Hermes Fund Managers

Intrinsic Investment Management Pty Ltd

Impax Asset Management Group p/c

Kapstream Capital Pty Ltd

LSV Asset Management

Macquarie Investment Management Limited

MFS Institutional Advisors, Inc

Omega Global Investors Pty Ltd

Pareto Partners

PIMCO Australia Pty Ltd

QIC

State Street Global Advisors Australia Limited

Vanguard Investments Australia Ltd

Wellington Management Company, LLP

Wilshire Australia Pty Limited

Winton Global Alpha Fund

Legal advisor

DLA Piper

Taxes, fees and charges

General tax information

Local Government Super is required to pay tax of up to 15% on all employer contributions[1] received (including contributions made by way of salary sacrifice). Any tax payable in respect of these contributions is deducted from your account. Personal contributions made on an after-tax basis are not subject to tax.

Starting from 1 July 2012, workers with an annual income of less than $37,000 receive a refund up to $500 to their superannuation savings. In effect, the rebate refunds the 15% contributions tax paid by the fund on low income earners' contributions to ensure they pay no tax on contributions.

Superannuation surcharge

From 1 July 2005, the Federal Government abolished the surcharge payable on certain superannuation contributions. However, any debt accrued prior to this date is still payable and will be deducted from your account. The Australian Tax Office (ATO) determines the amount of surcharge (if any) which relates to your contributions.

All surcharge amounts are deducted from your account and paid to the ATO on your behalf (except for the Retirement and Defined Benefit Schemes, where it is held as a debt until the time your benefit is paid).

Concessional contributions

For 2012/13, the standard $25,000 concessional contribution limit has applied to all taxpayers, regardless of their age. For 2013/14, members aged 60 years and over will have a $35,000 concessional contribution limit whereas members under 60 are restricted to concessional contributions of up to $25,000.

Concessional contributions are 'before tax' contributions and include the compulsory employer Superannuation Guarantee and salary sacrifice arrangements.

Should you breach the concessional contributions limits, you will have the option of receiving a refund of your excess contributions and including it in your annual tax return to be taxed at your marginal rate or retain it within your superannuation account where it will be taxed at your marginal rate from your account or you may pay the amount directly to the ATO.

Should you retain your monies within your superannuation account, these contributions will become non-concessional contributions and you will need to take note of any other non-concessional contributions you make in the relevant financial year so that you do not exceed the $150,000 non-concessional contributions cap.

From 1 July 2012, any person earning more than $300,000 will have some or all of their contributions taxed at 30%. When a person exceeds the income level due to the inclusion of their concessional contributions, the 30% contributions tax is then levied on the amount in excess of $300,000.

1. Net of allowable deductions, e.g. administration and insurance fees

Non-concessional contributions

Non-concessional contributions remain capped at $150,000 per year. Individuals under 65 years of age during any part of the financial year can bring forward up to three years' worth of non-concessional contributions and contribute a total of $450,000 in one financial year.

Please note that you then cannot make any additional non-concessional contributions for the next two financial years without breaching the non-concessional contributions cap.

Anti-detriment payments

An anti-detriment payment is a lump sum amount which is paid in addition to the account balance of a deceased member. It is payable to the trustee of the deceased estate (for the benefit of the spouse, ex-spouse or child) or to a spouse, former spouse or child of the deceased member.

The anti-detriment payment represents a refund of the 15% contributions tax levied against the deceased member's superannuation entitlements during their lifetime. It is only payable when the benefit is paid as a lump sum.

Tax on investment earnings

Earnings on investments are generally taxed at a maximum of 15%. The effective rate may be reduced below 15% due to the effect of various tax credits and rebates. Payments from super are tax free after the age of 60.

Member protection

Prior to 1 July 2013, if you were a protected member, any administration fee deducted from your account could not exceed the earnings on your account balance in that financial year.

This means that your account balance could not fall because of administration fees (excluding insurance and taxes). During the 2012/13 financial year, account balances with less than $1,000 were protected.

From 1 July 2013, with the introduction of the *MySuper* regime member protection rules no longer apply.

Fees and other costs

During the 2012/13 financial year Local Government Super levied a number of fees and these included:

Other Management Costs

These are the fees and costs for investing the assets and for payment of certain other costs associated with operating Local Government Super (further details of Other Management Costs can be found at lgsuper.com.au or in your Product Disclosure Statement).

Note that Other Management Costs are not charged directly to your account. These fees are applied daily on the market value of the assets in each particular investment option and are deducted prior to the declaration of the relevant unit price.

Administration fee

The Trustee sets the administration fee at the level needed to recover the cost of administering a member's account. This fee is charged on a monthly basis. A separate administration fee did not apply to the Rollover Plan, Account-Based Pension Plan, the Defined Benefit Scheme or deferred accounts during the 2012/13 financial year.

All fees charged to members' accounts during the 2012/13 financial year are detailed in the following tables.

For further information about fees and costs contact Member Services on **1300 LGSUPER (1300 547 873)** or visit lgsuper.com.au

Administration, other fees and insurance premiums charged in Pool A

For the year ended 30 June 2013	Accumulation Scheme	Rollover and Account-Based Pension
Administration fee	$5.98 per month	N/A
Basic Death or Invalidity cover	$5.00 per unit per month	N/A
Withdrawal fee	$70.55	No charge
Investment switch fee	$36.41 per switch	No charge
Voluntary insurance	The cost will vary depending on the amount insured and other factors	N/A

From 1 July 2013, the following fees apply to the Rollover and Account-Based Pension Plans:

From 1 July 2013	Rollover Plan	Account-Based Pension
Administration fee	$6.20 per month	$8.15 per month
Basic Death or Invalidity cover	N/A	N/A
Withdrawal fee	$70.55	$70.55
Investment switching fee	$36.41 per switch	$36.41 per switch
Voluntary insurance	N/A	N/A

Management costs charged in Pool A

Management costs charged to the Accumulation and Executive Scheme members for the year ended 30 June 2013

Months	High Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Sep	0.69%	0.65%	0.62%	0.59%	0.47%
Oct–Dec	0.72%	0.68%	0.65%	0.62%	0.50%
Jan–Mar	0.69%	0.65%	0.62%	0.59%	0.47%
Apr–Jun	0.63%	0.59%	0.56%	0.53%	0.41%

Management costs charged–the Rollover Plan members for the year ended 30 June 2013

Months	High Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Sep	0.67%	0.63%	0.60%	0.57%	0.45%
Oct–Dec	0.70%	0.66%	0.63%	0.60%	0.48%
Jan–Mar	0.73%	0.69%	0.66%	0.63%	0.51%
Apr–Jun	0.67%	0.63%	0.60%	0.57%	0.45%

Management costs charged–the Account-Based Pension Plan members for the year ended 30 June 2013

Months	High Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Sep	0.69%	0.65%	0.62%	0.59%	0.47%
Oct–Dec	0.72%	0.68%	0.65%	0.62%	0.50%
Jan–Mar	0.75%	0.71%	0.68%	0.65%	0.53%
Apr–Jun	0.67%	0.63%	0.60%	0.57%	0.45%

Management costs charged–each of the single-sector options of the Accumulation Scheme for the year ended 30 June 2013

Months	Australian Shares	Sustainable Australian Shares	International Shares	Australian Listed Property	Australian Fixed Interest	International Fixed Interest
Jul–Mar	0.79%	0.86%	0.98%	0.68%	0.62%	0.89%
Apr–Jun	0.52%	0.65%	0.66%	0.40%	0.43%	0.45%

Management costs charged–each of the single-sector options of the Account-Based Pension Plan the year ended 30 June 2013

Months	Australian Shares	Sustainable Australian Shares	International Shares	Australian Listed Property	Australian Fixed Interest	International Fixed Interest
Jul–Mar	0.70%	0.77%	0.89%	0.59%	0.53%	0.80%
Apr–Jun	0.56%	0.69%	0.70%	0.44%	0.47%	0.49%

Management costs charged to the Rollover Plan members for the year ended 30 June 2013

Months	High Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Sep	0.67%	0.63%	0.60%	0.57%	0.45%
Oct–Dec	0.70%	0.66%	0.63%	0.60%	0.48%
Jan–Mar	0.73%	0.69%	0.66%	0.63%	0.51%
Apr–Jun	0.67%	0.63%	0.60%	0.57%	0.45%

Administration fees charged in Pool B

	Retirement Scheme	Defined Benefit Scheme
Administration fee - contributory	$4.33 per month	N/A
Administration fee - deferred	N/A	N/A
Administration fee - Accumulation account	N/A	N/A

Management costs charged in the Retirement Scheme (Accumulation accounts only)

Management costs charged in the Retirement Scheme to contributory members excluding any Other Contributions Account for the year ended 30 June 2013[1]

Months	High Growth	Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Jun	0.23%	0.19%	0.19%	0.16%	0.13%	0.01%

Management costs charged in the Retirement Scheme to contributory members for the Other Contributions Account for the year ended 30 June 2013[2]

Months	High Growth	Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Sep	0.61%	0.57%	0.57%	0.54%	0.51%	0.39%
Oct–Dec	0.63%	0.57%	0.59%	0.56%	0.53%	0.41%
Jan–Mar	0.63%	0.59%	0.59%	0.56%	0.53%	0.41%
Apr–Jun	0.60%	0.56%	0.56%	0.53%	0.50%	0.38%

Management costs charged in the Retirement Scheme to deferred members for the year ended 30 June 2013[2]

Months	High Growth	Growth	Balanced Growth	Balanced	Conservative	Cash
Jul–Sep	0.76%	0.72%	0.72%	0.69%	0.66%	0.54%
Oct–Dec	0.78%	0.72%	0.74%	0.71%	0.68%	0.56%
Jan–Mar	0.78%	0.74%	0.74%	0.71%	0.68%	0.56%
Apr–Jun	0.73%	0.69%	0.69%	0.66%	0.63%	0.51%

1 A maximum 0.55% fee applies for the Contributor Financed Benefit.

2 A maximum 1.0% fee applies.

Family Law fees

As at 30 June 2013, the following fees were payable for the provision of Family Law information and for the actual 'splitting of the benefit'.

Accumulation and Executive Schemes, Rollover and Account-Based Pension Plans (includes GST)

Accumulation and Executive Schemes, Rollover and Account-Based Pension Plans (includes GST)	
Request for information[1]	$110
Benefit split fee[2]	$88

Retirement, Basic Benefit and Defined Benefit Schemes (includes GST)	
Request for information[1]	
• Current members	$275
• Deferred members	$110
• Pensioners	$110
Benefit split fee[2]	$88

Further details of fees and charges are provided in your member statement and also in the Product Disclosure Statements which are available at lgsuper.com.au

1 This fee is payable by the person requesting the information.

2 This fee is generally payable by the member and non-member spouse in equal parts ($44 each). However, if the non-member spouse is entitled to the whole amount of a splittable payment, the entire amount is payable by the non-member spouse.

The member's share of the fee is deducted from the member's account and the non-member spouse's share is deducted from the non-member spouse's splittable payment prior to the transfer of the payment out of the Scheme.

Financial statements

Pool A

Operating statement for the year ended 30 June 2013

	30 Jun 13 ($'000)	30 Jun 12 ($'000)
Revenue		
Net investment revenue	424,593	77,978
Employer contributions	252,554	250,051
Member contributions	23,591	17,845
Transfers in	282,375	289,070
Other revenue	7,713	10,050
Total revenue	**990,826**	**644,994**
Less outgoings		
Administrative expenses	34,644	31,200
Income tax expense	76,395	37,603
Total outgoings	**111,039**	**68,803**
Benefits accrued as a result of operations	879,787	576,191

Statement of financial position for the year ended 30 June 2013

	30 Jun 13 ($'000)	30 Jun 12 ($'000)
Investments		
Unit trusts	4,179,495	3,536,288
Other assets		
Cash	44,983	52,086
Receivables	542	1,157
Deferred tax assets	18,758	48,992
Total assets	**4,243,778**	**3,638,523**
Less Liabilities		
Payables	3,823	4,299
Current tax liability	27,921	17,664
Total liabilities	**31,744**	**21,963**
Net assets available to pay benefits	4,212,034	3,616,560

Large investments

Local Investment Fund (LIF) is a wholesale investment trust and the majority of the assets of Local Government Super are invested through LIF. The investment pool of LIF is allocated to a range of investment managers. Investment managers (and/or their weightings) are changed at appropriate times. Other than investments made through LIF, during the financial year there were no individual investments that exceeded 5% of Pool A assets, or 5% in a single enterprise.

Only one other investment, other than investments made through LIF, exceeded 5% of Pool B assets, or 5% in a single enterprise. This was the Local Government Property Fund.

Pool B

Statement of changes in net assets for the year ended 30 June 2013

	30 Jun 13 ($'000)	30 Jun 12 ($'000)
Revenue		
Net investment revenue	402,891	36,495
Employer contributions	157,422	162,038
Member contributions	11,505	10,914
Transfers in	6,263	9,112
Total revenue	**578,081**	**145,569**
Less outgoings		
Benefits paid	247,886	273,085
Administrative expenses	15,200	13,142
Income tax expense	56,395	14,948
Total outgoings	**319,481**	**301,175**
Net profit/(loss)	258,600	155,606

Statement of net assets for the year ended 30 June 2013

	30 Jun 13 ($'000)	30 Jun 12 ($'000)
Investments		
Unit trusts	2,923,620	2,648,315
Other assets		
Cash	34,047	14,364
Receivables	431	990
Deferred tax assets	42,883	83,262
Total assets	**3,000,981**	**2,746,931**
Less Liabilities		
Payables	60	258
Current tax liability	4,553	8,905
Total liabilities	**4,613**	**9,163**
Net assets available to pay benefits	2,996,368	2,737,768

The complete Financial Statements, including the Auditor's Report, are available at lgsuper.com.au/documents/annualReports.asp or you can request a copy by calling Member Services on **1300 LGSUPER (1300 547 873)**.

More information

Complaints

With our focus on quality service and transparency, the Trustee wishes to ensure that any enquiries or complaints are handled courteously and promptly. We hope that you will always receive satisfactory service and that all your enquiries are promptly attended to. However, if you are dissatisfied with the service you are receiving, you may lodge a formal complaint. All complaints should be made to the Complaints Resolution Manager by:

- Calling **1300 LGSUPER (1300 547 873)** and making the complaint to a Member Services Officer; or
- Putting the complaint in writing, with 'Notice of Complaint' marked on the envelope.

The Trustee prefers complaints in writing marked as such, as it helps the Trustee to deal with the complaint in a more efficient manner.

Written complaints should be made to:

Complaints Resolution Manager
Local Government Super
PO Box N835
Grosvenor Place NSW 1220

The Complaints Resolution Manager will consider your complaint on behalf of the Trustee and provide you with a response within 90 days of receiving your complaint. If you are not satisfied with the response, or your complaint has not been resolved within 90 days, you have the option of referring your complaint to the Superannuation Complaints Tribunal (SCT). The Tribunal is an independent body established by the Commonwealth Government to review and settle certain disputes between members and their superannuation funds. The SCT can only be involved after the Trustee's efforts to reach solution have failed (i.e. you must first use the Trustee's dispute procedures). The SCT does not charge members for its service and can be contacted as follows:

Superannuation
Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Ph: 1300 884 114

W: sct.gov.au

Trustee's reserves

By law, the Trustee is responsible for the overall management of its reserves. The Trustee maintains separate reserves for Pool A and Pool B.

Pool A reserves

Operational Risk Reserve (ORR)

In the 2012/13 financial year, the ORR operated principally to meet any remaining self-insured death/invalidity claims within Pool A and generally to protect the Scheme from other contingent events or the need for capital expenditure. A specific amount of $100,000 was also maintained in the ORR at all times to satisfy one of the requirements of the Trustee's public offer licence.

In April 2013, the Self Insurance Reserve was established from the ORR to meet death/invalidity claims within Pool A that were related to the period prior to 1 March 2009, and the commencement of the external insurance arrangements.

From 1 July 2013, the Superannuation legislation requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect LGS within its business operations. The Operational Risk Financial Requirement (ORFR) is the target amount of financial resources that the Trustee determines is necessary to respond to these losses, should they arise. The Trustee determined that the ORFR reserve will hold at least 0.25% of LGS's assets. The Trustee aims to achieve 0.25% of LGS's assets within the ORFR reserve by 30 June 2016.

The Operational Risk Reserves under both Pool A and Pool B are held to meet the ORFR.

Administration Reserves

This reserve comprises both deductions which are made from members' accounts and investment earnings to cover the cost of all operational expenses of the Scheme.

Tax Reserves

As with the Administration Reserve, a provision is made from the Scheme's investment earnings for the estimated income tax payable. In addition, the Tax Reserve contains monies deducted from members' accounts for any contributions tax due. These monies (in total) are held until such time as they are required to be remitted to the Australian Taxation Office.

Self Insurance Reserve

In April 2013, the Self Insurance Reserve was established to meet death/invalidity claims with Pool A that were related to the period prior to 1 March 2009 and the commencement of the external insurance arrangements.

Pool B reserves

Since April 2013, there are five types of reserve accounts held by Pool B:

ORR

As discussed above, the Operational Risk Reserves under both Pool A and Pool B are now held to meet the ORFR.

Defined Benefits Reserve

The Defined Benefits Reserve represents the value of assets that are assessed by the actuary on an annual basis to ensure that employers have sufficient assets to cover future liabilities.

Administration Reserve

The Administration Reserve comprises both deductions from members' accounts and provisions out of the Scheme's investment earnings. These deductions and provisions should cover the cost of all operational expenses of the Scheme (excluding tax and insurance). This account is quarantined from the Scheme's investment earnings.

Tax Reserve

The Tax Reserve contains monies deducted from members' accounts and the Employer Reserve for any contributions tax due. These monies (in total) are held until such time as they are required to be remitted to the Australian Taxation Office.

Additional Insurance Reserve

The Insurance Reserve represents an amount held to meet any insurance payments required to be made by the Scheme. One quarter of this reserve is member financed.

Reserve Data

Below are the closing balances of these reserves as at 30 June for the last four years for Pool A and Pool B:

Pool A

Year	Admin ($'000)	Tax ($'000)	ORR ($'000)	Self Insurance ($'000)
2010	268	892	5,157	-
2011	500	368	5,332	-
2012	660	37	4,980	-
2013	306	-	3,918	2,000

Pool B

Year	Defined Benefit ($'000)	ORR ($'000)	Additional Insurance ($'000)	Admin ($'000)	Tax ($'000)
2010	1,369,316	-	6,796	-	-
2011	1,475,580	-	7,671	-	-
2012	1,383,174	-	8,040	-	-
2013	1,533,168	7,790	7,796	-	-

Movement during the financial year for each of the abovementioned reserve accounts as at 30 June for the last three years are as follows:

Pool A

Year	Admin ($'000)	Tax ($'000)	ORR ($'000)	Self Insurance ($'000)
2011	232	(524)	175	-
2012	160	(331)	(352)	-
2013	(354)	(37)	(1,062)	2,000

Pool B

Year	Defined Benefit ($'000)	ORR ($'000)	Additional Insurance ($'000)	Admin ($'000)	Tax ($'000)
2011	106,264	-	875	-	-
2012	(92,406)	-	369	-	-
2013	149,994	7,790	244	-	-

How are the Reserves invested?

With the exception of the Defined Benefits Reserve that is invested in a growth style investment strategy, the assets which support these reserves are held effectively in cash, either in a bank account, a cash management account or as a cash investment in a unit trust.

Derivatives

Derivatives are used to adjust the weightings of the various portfolios in line with the overall investment strategy. Various derivatives may be applied, such as futures and options. Strict investment guidelines detail all limits approved on the use of derivatives that are in place. Currency hedging activities are also carried out in relation to the international equities portfolio, within strictly defined parameters. Derivatives can also be used to protect against possible adverse moves in the markets, to implement tactical asset allocations, or to enter or exit the market at a defined price level. Under no circumstances can they be used to gear the investment portfolio or be used for speculative trading.

Except where the investment manager specifically confirms in writing that it does not and will not use derivatives, each investment manager must supply a detailed Part B Derivative Risk Statement, as is required under Superannuation Law, outlining the policies and role of derivative products (such as futures and options) utilised by the investment manager.

The Trustee requires that all derivative positions (a) are fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes.

Eligible Rollover Fund

An Eligible Rollover Fund (ERF) is a fund which is established for the purpose of accepting and protecting benefits in respect of the 'lost' members of other superannuation funds. If transferred to an ERF, a member ceases to have any rights which he or she previously had against the transferring fund. The Trustee has nominated Australia's Unclaimed Super Fund (AUSfund)[1] as the ERF to which such members' benefits may be paid.

Contact details are as follows:

AUSfund Administration
PO Box 2468
Kent Town SA 5071

Ph: 1300 361 798

Fax: 1300 366 233

For members of Pool B, the Trustee will transfer a benefit to the nominated ERF in circumstances where a benefit is split under family law and alternate rollover instructions have not been provided. A benefit may also be transferred to that ERF for inactive accounts (where no superannuation contributions are being made) in accordance with the Superannuation Laws.

1. Industry Funds Investments Limited (IFI) - ABN 17 006 883 227, AFSL 229881 is the Responsible Entity of AUSfund, Australia's Unclaimed Super Fund - ABN 85 945 681 973

Important changes

Enhancing our default investment arrangements

On 30 April 2013, the Trustee introduced an updated default investment option known as the Age Based Investment Strategy. The enhancement to our default investment option included the addition of High Growth as one of the four investment options included in the Age Based Investment Strategy and changes to some of the age bands.

This Age Based Investment Strategy subsequently became our *MySuper* offering from 1 July 2013.

Accumulation Scheme insurance changes

Starting from 30 April 2013, all new members of the Accumulation Scheme, including public offer members, are given Basic Death and Total and Permanent Disablement (TPD) cover, providing they meet the eligibility criteria. Previously, this cover was only available to new local government employer sponsored members of the Accumulation Scheme.

In addition, existing members of the Accumulation Scheme, including public offer members, were provided with Basic Death and TPD cover if they met the eligibility criteria.

There have also been some changes to some of the cover definitions, exclusions and limitations.

Changes to our fees

With the introduction of *Stronger Super*, our Other Management Costs could no longer be used to subsidise the cost of certain transactions (benefit payments and investment switches), or be used to subsidise some of the other services we offer you (some financial planning services).

As a result, our direct transaction fees for these services have increased and for some products, direct transaction fees have been introduced for the first time.

These changes have been effective from 30 April 2013 for the Accumulation Scheme, and from 1 July 2013 for the Retirement Scheme, Account-Based Pension Plan and the Rollover Plan.

Closure of the Executive Scheme

On 30 June 2013, we closed the Local Government Executive Scheme, and on 1 July 2013, we transferred former members of the Executive Scheme to the Accumulation Scheme. As part of the transfer members retained any insurance arrangements held in the Executive Scheme.

Introduction of a financial planning fee

From 1 July 2013, the Trustee began charging a direct financial planning fee for some financial planning services. Previously, the cost of providing these financial planning services was incorporated into our Other Management Costs.

MySuper

Our default investment option became our *MySuper* offering, known as the *MySuper* Age Based Investment Strategy. Our *MySuper* offering is a simple, low cost default superannuation product which utilises a life cycle style investment strategy, provides basic insurance cover and has a standard set of fees.

MySuper simplifies default superannuation products, improving their transparency and comparability. Our MySuper Age Based Investment Strategy meets these criteria and provides a cost-effective alternative for members who have not made an investment choice.

Changes to your insurance terms

From 1 July 2012, the Insurer has included a further exclusion to the terms of the Basic Death, Terminal Illness or TPD cover so that a payment will not be made within the first 12 months of insurance coverage where it arises directly or indirectly from suicide.

Anti-detriment changes

As of 30 May 2012, the Trustee has expanded the anti-detriment provision so that all eligible members of Local Government Super may receive a lump sum payment. This is paid in addition to the member's balance, to refund the contributions tax paid when a payment is made to the deceased member's estate (for the benefit of the spouse, ex-spouse or child) or to a spouse, a former spouse or child of the deceased member.

Legislative changes

The implementation of the Federal Government's *Stronger Super* and *Future of Financial Advice* reforms dominated the superannuation industry during the 2012/13 financial year. These legislative changes, together with the APRA's new prudential standards, introduced complex obligations for superannuation trustees in all areas of their operations.

Stronger Super

The *Stronger Super* legislation is aimed at improving Australia's superannuation system by removing unnecessary costs and better safeguarding the retirement savings of all funds' members. The introduction of *MySuper*, which is a key element of *Stronger Super*, simplifies default superannuation products and improves their transparency and comparability.

SuperStream also forms part of *Stronger Super* and is designed to improve the productivity and the integrity of the superannuation system.

On 1 July 2012, as part of these measures, the Australian Taxation Office (ATO) released an online facility to help members of super funds track and manage their active accounts as well as locate their lost accounts and other superannuation monies held by the ATO.

Future of Financial Advice (FOFA)

The *Future of Financial Advice* reforms are designed to improve the standard of financial advice for consumers and to make financial advice affordable and accessible. It also aims at improving the trust and confidence of retail investors in the financial planning sector.

This is to be achieved through the banning of conflicted remuneration structures and commissions on investment products, including super, and the requirement for advisers to receive an 'opt in' authority should clients receive ongoing advice. The FOFA legislation also imposes a statutory duty for financial advisers to act in the best interests of the person receiving advice.

Super contributions tax rebate for low income earners

Starting from 1 July 2012, workers with an annual income of less than $37,000 receive a refund of up to $500 to their superannuation savings. The rebate refunds the 15% contributions tax paid by the member on their contributions.

Superannuation government co-contributions

For the 2012/13 financial year, the maximum entitlement was $500, with the lower income threshold at $31,920 and the higher income threshold at $46,920.

In the 2013 Federal Budget the Government announced further changes for the 2013/14 financial year, adjusting the lower and higher income thresholds to $33,516 and $48,516 respectively.

Abolition of the age limit on payment of the Superannuation Guarantee

From 1 July 2013 there is no longer a Super Guarantee upper age limit. This means there is no maximum age for Super Guarantee eligibility.

Increase of the Superannuation Guarantee rate

From 1 July 2013, the Superannuation Guarantee (SG) rate increased to 9.25%. The rate will increase gradually over seven years from 9% to 12%, as shown in the following table:

Starting from	Increase	Total SG rate
1 July 2013	0.25%	9.25%
1 July 2014	0.25%	9.50%
1 July 2015	0.50%	10.00%
1 July 2016	0.50%	10.50%
1 July 2017	0.50%	11.00%
1 July 2018	0.50%	11.50%
1 July 2019	0.50%	12.00%

Source: ato.gov.au

Concessional contributions cap

From 1 July 2012, the standard $25,000 concessional contribution limit applied to all taxpayers, regardless of their age. However, from 1 July 2013 the concessional contribution cap for those aged 60 and over has increased to $35,000. There are no changes to the non-concessional contribution limits.

Refund of excess concessional contributions

From 1 July 2011, members who breach the concessional contributions cap by no more than $10,000 can request that the excess contributions be withdrawn from a super fund and refunded to them.

Those excess concessional contributions are then included in an individual's personal return and taxed at their marginal tax rate, rather than incurring the excess contributions tax.

This refund measure only applies for first time (one off) breaches of the concessional cap.

Changes to tax concessions provided to very high income earners

Starting from 1 July 2012, the Government increased the tax rate to 30% on some or all super contributions for taxpayers whose annual income exceeds $300,000.

Unclaimed money changes

From 1 July 2013, the account balance threshold for treating inactive accounts and uncontactable members as unclaimed money increased from $200 to $2,000. Furthermore, the period of inactivity for treating unidentifiable members as unclaimed money reduced from five years to 12 months. The ATO will pay interest on unclaimed money.

Repealing member protection rules

Until 1 July 2013, under the member protection rules, a member with an account balance of less than $1,000 generally could not have their balance reduced by administrative fees that were greater than the earnings accruing to their account.

MySuper fee rules and recent changes to Lost Super have effectively made the member protection rules redundant.

Trustees to provide written reasons for decisions

In the past, there was no legislative requirement for trustees to provide written reasons for decisions in relation to complaints. Effective 1 July 2013, trustees must:

- in relation to death benefit complaints, provide written reasons for decisions at the time the complainant is given notice of the decision;
- in relation to non-death benefit complaints, provide reasons for decisions upon request by the complainant in writing;
- if no decision is made in relation to a complaint within 90 days after it was made, and the complainant, by written notice to the trustee, requests written reasons for the failure to make a decision within that period, provide those reasons within 28 days.

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For more information

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Offices in Lismore, Orange, Parramatta, Tamworth and Wagga Wagga are available on an appointment only basis.

Bookings are essential. Phone **1300 LGSUPER (1300 547 873)** to make an appointment.

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